

(PRE-FILED)

By: **Delegate Miller**

Requested: October 7, 2003

Introduced and read first time: January 14, 2004

Assigned to: Environmental Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Vehicle Laws - Mechanical Repair Contracts - Used Vehicles**

3 FOR the purpose of requiring that a mechanical repair contract for a used vehicle
4 clearly and conspicuously state the monetary limits for each repair covered by
5 the mechanical repair contract, a list of service providers authorized to perform
6 a repair under the mechanical repair contract, and whether the mechanical
7 repair contract requires new or used motor vehicle parts to be used to perform a
8 repair; and generally relating to mechanical repair contracts.

9 BY repealing and reenacting, with amendments,
10 Article - Transportation
11 Section 15-311.2
12 Annotated Code of Maryland
13 (2002 Replacement Volume and 2003 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article - Transportation**

17 15-311.2.

18 (a) (1) For the purposes of this section, the term "mechanical repair
19 contract" means any agreement or contract sold by a licensed vehicle dealer under
20 which a specified provider agrees to perform over a fixed period of time, for a specific
21 duration and for a specific identifiable price, services relating to the maintenance or
22 repair of a motor vehicle; provided that the purchase of the contract is optional to the
23 purchaser.

24 (2) The term "mechanical repair contract" includes, but is not limited to,
25 extended warranties and extended service contracts.

26 (b) (1) A provider of services under a mechanical repair contract shall
27 maintain adequate insurance reserves, as defined by the Insurance Commissioner, for

1 each such contract for the protection of the purchasing consumer. A policy of
2 insurance providing coverage for all obligations and liabilities incurred by a provider
3 under the terms of a mechanical repair contract shall constitute adequate insurance
4 reserves.

5 (2) The reserves shall be maintained with an insurer authorized to do
6 business in Maryland on an admitted or surplus lines basis.

7 (3) A purchaser of a mechanical repair contract shall be entitled to make
8 a direct claim against the insurer issuing a policy of insurance under this subsection
9 upon failure of the specified provider to pay any claim or make any refund or
10 consideration due within 60 days after the proof is filed with the provider.

11 (c) A mechanical repair contract shall be offered in addition to any express
12 warranty originally included as part of the contract for sale of a new motor vehicle.

13 (d) A mechanical repair contract shall clearly and conspicuously set forth the
14 date when the warranty begins.

15 (e) A mechanical repair contract shall clearly and conspicuously set forth the
16 date or the odometer reading at which the warranty expires and the name and
17 address of the insurer issuing the policy of insurance as described in subsection (b) of
18 this section.

19 (f) A MECHANICAL REPAIR CONTRACT FOR A USED VEHICLE SHALL CLEARLY
20 AND CONSPICUOUSLY SET FORTH:

21 (1) THE MONETARY LIMITS FOR EACH TYPE OF REPAIR THAT IS
22 COVERED BY THE MECHANICAL REPAIR CONTRACT;

23 (2) A LIST OF SERVICE PROVIDERS AUTHORIZED TO PERFORM A REPAIR
24 UNDER THE MECHANICAL REPAIR CONTRACT; AND

25 (3) WHETHER THE MECHANICAL REPAIR CONTRACT REQUIRES NEW OR
26 USED MOTOR VEHICLE PARTS TO BE USED TO PERFORM A REPAIR.

27 (G) The repair of a malfunction or defect covered under a mechanical repair
28 contract shall include the cost of the teardown and diagnosing the malfunction or
29 defect.

30 [(g)] (H) The provisions of the Maryland Consumer Products Guaranty Act,
31 Title 14, Subtitle 4 of the Commercial Law Article, apply to a mechanical repair
32 contract sold by a licensed vehicle dealer.

33 [(h)] (I) The provisions of this section do not apply to mechanical repair
34 contracts issued by the motor vehicle manufacturer or the distributor or a wholly
35 owned subsidiary of the manufacturer or the distributor as defined in § 15-201 of this
36 title.

1 (i) (J) Notwithstanding subsection [(h)] (I) of this section, licensed vehicle
2 dealers who sell mechanical repair contracts shall have the same obligations as a
3 seller under § 2-314 of the Commercial Law Article.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
5 October 1, 2004.